Irregularities in recovery of Customs Duty from Industrial Houses

1272. SHRI RAJNI RANJAN SAHU : Will the Minister of FINANCE be pleased to state :

(a) whether it is a fact that his Ministry has noticed irregularities in the recovery of disputed customs duty from several big industrial houses; and

(b) if so, what are the details thereof ?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI RAMESHWAR THAKUR) : (a) No irregularity in the recovery of disputed customs duty from any big industrial house has been noticed in the recent past.

(b) Does not arise in view of reply to part (a) above.

Constitution of a Committee for extending credit to Exporters

1273. CHOWDHRY HARI SINGH :

SHRI MURLIDHAR CHANDRAKANT BHANDARE :

Will the Minister of FINANCE be pleased to state :

(a) whether it is a fact that the Governor of the Reserve Bank of India, while delivering the key note address to the "Open House meet on Banking" in Madras on September 10, 1992, announced the constitution of a committee to look into the modalities of extending immediate credit facilities to exporters;

(b) if so, what is the composition and precise functions of the committee; and

(c) what are the circumstances leading to constitution of such a committee ?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI DALBIR SINGH) : (a) to (c) It has been reported by the Reserve Bank of India (RBI) that they had been receiving various requests regarding certain aspects of export credit and problems faced by exporters. Federation of Indian Export Organisations (FIEO) had also made a number of suggestions in this regard. When similar requests were also made by the exporters in the Open House Meeting held at Madras, the Governor RBI constituted a committee under Dr. G. Sundaram, Additional Secretary in the Ministry of Commerce to go into the complaints relating to structure of export finance. Apart from the Chairman, the Committee consists of the representatives of various Departments of RBI, Ministries of Finance and Commerce, FIEO, FICCI, ECGC and certain other associations and groups of exporters.

The terms of reference of the Committee are as under :

(i) To go into the complaints regarding the interest rate structure on export finance, both at pre-shipment and post-shipment stages.

(ii) To study the maximum period upto which the pre-shipment and post-shipment credit should be made available.

(iii) Whether the application of various credit norms like Maximum Permissible Bank Finance (MPBF), single borrower exposure, inventory norms, etc. should be made applicable for export credit or not.

(iv) To study the existing sanctioning procedure obtaining at the commercial banks for sanction of loans, and to suggest ways to expedite the sanction.

(v) To consider the desirability of continuing Post-Shipment Credit in Foreign Currency (PSCFC) in the existing form and also its extension to other currencies.

(vi) To consider the feasibility of the rediscounting of export bills in the overseas market.

(vii) To consider any other issue having a bearing on the strueture of export credit, with a view to removing difficulties in the way of exoprts.

World Bank's warning on balance of payments crisis

1274. SHRI KRISHNA KUMAR BIRLA : Will the Minister of FINANCE be pleased to state :

(a) whether it is a fact that the World Bank has warned India against the possibility of another balance of payments crisis in the next few years;

(b) if so, the reaction of Government on such comments made by the World Bank; and

(c) what steps Government are contemplating to maintain balance of payments situation ?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI RAMESHWAR THAKUR) : (a) No, Sir. However a World Bank study states that India's balance of payments will remain fragile and dependent on exceptional financing for the next four or five years.

(b) In addition to the short-term and medium-term policy measures initiated already to improve the balance of payments, steps are being taken to arrange for exceptional financing both from multilateral and bilateral sources so as to avoid any crisis situation.

(c) The steps being taken to improve the balance of payments position and reduce the current account deficit include, effective implementation of the new system of liberalised exchange rate management; liberalised trade policy regime focussing on increased export earnings; increased capital in flows both from bilateral and multilateral sources consistent with financial prudence and attracting direct foreign investment.

Discrimination against Indian Investors

1275. SHRI MOHD. KHALEELUR RAHMAN :

SHRIMATI MIRA DAS :

SHRI SARADA MOHANTY :

Will the Minister of FINANCE be pleased to state :

(a) Whether there is any discrimination against Indian Investors in contrast to foreign and NRI investors in industry and stock investments;

(b) If so, what are the detail thereof;

(c) whether any favourable treatment is offered or given with long term Capital Gain Tax;

(d) what is the long term gain tax in advanced countries;

(e) whether Government are considering reduction in short term capital gain tax from 65 to 45 per cent or to any other lower slab for foreign and NRI investors;

(f) what is the short term capital gain tax in advanced countries; and

(g) whether this would lead to greater mobility in contrast by foreign investors in contrast to local investors with serious implications on the stock market ?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI RAMESHWAR THAKUR) : (a) to (c) NRIs are allowed to invest directly in industries in India either on repatriation basis under the 40% Scheme provided the concerned company is engaged in any industrial/manufacturing activities, hospital, hotel of 3 star category and above, Diagnostic centre, shipping, computer software and oil exploration activities. Further, NRIs are also allowed investment upto 100% in the new issue with repatriation benefits in high priority industries covered by Annexure III to the New Industrial Policy.

2. NRIs/OCEs are permitted to make portfolio investment in equity shares/convertible debentures quoted on stock exchange with full benefits of repatriation of capital invested and income earned thereon provided the investment of each non-resident investor/OCB in any one Indian company does not exceed 1% of the paid up equity capital of the company in case of shares and 1% of the total issue of each series in case of convertible debentures and provided further that the total non-resident investment (both with or without repatriation benefits) in equity shares/convertible debentures in a company does not exceed 5% of the total paid up capital/paid-up value of such series of convertible debentures. The overall limits of 5% can be increased to 24% if the concerned company passes a General Body resolution to that effect. There is a lock in period of one year under the scheme.

3. In order to augment the foreign exchange resourses of the country, tax incentive by way of concessional rate of tax on income from investment in certain specified assets and on capital gains on the transfer of such assets have been provided.